

# **EXHIBIT A**

# Milbank

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May 4, 2021

**VIA EMAIL**

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Re: Commonwealth Assets & Cash Rule 2004 Requests

Counsel:

I write on behalf of Ambac<sup>1</sup> in connection with its Assets and Cash Rule 2004 Requests.

Assets Rule 2004 Requests

***(1) Category No. 1: Assets (current and transferred/encumbered)***

- *Documents sufficient to show, from January 1, 2015 to the present, the alienation or encumbrance of any assets held by the Commonwealth or its instrumentalities.*
- *A list of the Commonwealth's current assets.*

***Ad Valorem Taxes / Tax Arrears.*** The Board certified the FY 2022 CRIM Fiscal Plan<sup>2</sup> on April 23, 2021. While Ambac's review and analysis of the FY 2022 CRIM Fiscal Plan remains ongoing, Ambac writes to request the following:

- The FY 2022 CRIM Fiscal Plan notes that property taxes collected by CRIM are ultimately deposited into a "General Trust account[,]" which "is an account under the trust established

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<sup>1</sup> Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the *Joint Status Report of Ambac Assurance Corporation and the Financial Oversight and Management Board for Puerto Rico, as Representative of the Commonwealth of Puerto Rico, and the Puerto Rico Fiscal Agency and Financial Advisory Authority Pursuant to the Court's March 29, 2021 Order* [ECF No. 16456] (the "April 16 Joint Status Report").

<sup>2</sup> "FY 2022 CRIM Fiscal Plan" refers to *Fiscal Plan for the Municipal Revenue Collection Center: Improving Property Tax Collections, Fiscal Years 2022 through 2026* (certified Apr. 23, 2021), available at <https://oversightboardpr.gov/documents/>.

MILBANK LLP

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by AAFAF, as trustee, and CRIM, as settlor,” that was created pursuant to Deed of Trust #4 of November 2, 2015, later amended and restated pursuant to Deed of Trust #58 of November 29, 2018. (See FY 2022 CRIM Fiscal Plan at 52; *Municipal Revenue Collection Center: New Fiscal Plan 2021-2025, as Submitted to the Financial Oversight and Management Board for Puerto Rico* (June 25, 2020), available at <https://www.crimpr.net/menuInst/download/228>.) Ambac requests production of Deed of Trust #4 of November 2, 2015 and Deed of Trust #58 of November 29, 2018.

- Ambac requests documents and information regarding the reserve CRIM applied against the FY 2020 \$4.023 billion gross accounts receivable balance to calculate a net figure of \$720 million as of the end of FY 2020, as set forth in the FY 2022 CRIM Fiscal Plan. (See FY 2022 CRIM Fiscal Plan at 29.)
- Ambac requests documents and information regarding CRIM’s analysis of “aged receivables,” including (without limitation) documents and information prepared or relied upon in connection with CRIM’s decision “to establish an allowance for uncollected accounts of 82%.” (*Id.*)
- The FY 2022 CRIM Fiscal Plan notes that CRIM’s accounts receivable “balance as of FY2020 was approximately \$720 million, including interest, penalties, and discounts[,]” which “was an increase of approximately \$60 million compared to the net balance of \$660 million in FY2019.” (*Id.* at 58.) However, the FY 2022 CRIM Fiscal Plan envisions selling CRIM’s accounts receivable balance for approximately \$400 million, which is the same estimated sale price included in the previous certified fiscal plan. (*Compare id. with* FY 2021 CRIM Fiscal Plan<sup>3</sup> at 45.) Ambac requests confirmation that the estimated proceeds derived from the sale of CRIM’s accounts receivable portfolio included in the FY 2022 CRIM Fiscal Plan do not include the approximately \$60 million increase realized in FY 2020 or accounts receivable from FY 2019.
- Ambac requests documents and information regarding CRIM’s property tax collections for FY 2021, including current and delinquent real property tax collections, as well as current and total collection rates.
- Ambac requests documents and information regarding the year-end real property tax accounts receivable balance for FY 2021, including principal, interest, penalties, and discounts.
- Ambac requests documents and information regarding the year-to-year growth of CRIM’s tax arrears portfolio, including growth in principal, interest, penalties, and discounts from FY 2015 to present.

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<sup>3</sup> “FY 2021 CRIM Fiscal Plan” refers to *Fiscal Plan for the Municipal Revenue Collection Center: Improving Property Tax Collections, Fiscal Years 2021 to 2025* (certified June 26, 2020), available at <https://oversightboard.pr.gov/documents/>.

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Cash Rule 2004 Requests

***(1) Category Nos. 1 and 2: Presentation and Investigation Documents***

- *All documents relied upon in connection with the “Summary of Cash Restriction Analysis” presentation, dated October 2, 2019 and the “Bank Account Analysis: Status Update – June 30, 2019 Balances” presentation, dated as of October 2, 2019, including documents sufficient to identify the processes and assumptions underlying the Cash Restriction Analysis and any iterative changes in the analysis over time.*
- *All documents relied upon in connection with Duff & Phelps’ and/or Ernst & Young’s investigation into the cash at government and fiscal plan entities, certain other Title III debtors, and UPR, including but not limited to instructions provided to Duff & Phelps and/or Ernst & Young regarding categorization and restrictions.*

***March 2021 Disclosure Statement.***<sup>4</sup> Ambac’s review of the Board’s April 26, 2021 production is ongoing, but Ambac requests confirmation that the production contains factual source materials and raw data underlying the March 2021 Disclosure Statement and that the Board’s production of such materials is complete.

Additionally, Ambac requests an update regarding any efforts by the Board and its advisors to update the portion of the March 2021 Disclosure Statement concerning the Board’s cash restriction analysis. To the extent a subsequent iteration of the cash restriction analysis is available, Ambac requests: (i) production of the analysis; (ii) back-up materials related thereto, including (without limitation) factual source materials and raw data underlying the analysis; (iii) that such back-up materials be categorized by account when produced, consistent with the categorization done in connection with the factual source materials and raw data underlying the October 2019 Presentations,<sup>5</sup> February 2020 Disclosure Statement,<sup>6</sup> December 2020 Presentation,<sup>7</sup> and March 2021 Disclosure Statement; and (iv) Calculation Back-Up documents related to the analysis.

***Act 26-2017 Surplus Transfers.*** Ambac requests documents and communications regarding any transfer of surplus funds from any Commonwealth public corporation, agency, or instrumentality to the Commonwealth pursuant to Chapter 4 of Act 26-2017, and documents and

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<sup>4</sup> “March 2021 Disclosure Statement” refers to the *Disclosure Statement for the Second Amended Title III Joint Plan of Adjustment of the Commonwealth of Puerto Rico, et al. (Corrected)* [ECF No. 15988].

<sup>5</sup> “October 2019 Presentations” refers, collectively, to (i) the “Summary of Cash Restriction Analysis” presentation, dated October 2, 2019, and (ii) the “Bank Account Analysis: Status Update – June 30, 2019 Balances” presentation, also dated October 2, 2019.

<sup>6</sup> “February 2020 Disclosure Statement” refers to the *Disclosure Statement for the Amended Title III Joint Plan of Adjustment of the Commonwealth of Puerto Rico, et al.* [ECF No. 11947].

<sup>7</sup> “December 2020 Presentation” refers to the Board’s December 19, 2020 presentation, which was disclosed publicly as part of a periodic release of “cleansing materials” related to ongoing mediation.

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communications relating or responding to any requests by the Act 26-2017 Committee<sup>8</sup> for transfers pursuant to Chapter 4 of Act 26-2017, whether or not such transfers were effected.

Very truly yours,

/s/ Jonathan Ohring

Jonathan Ohring

cc: Atara Miller  
Grant R. Mainland  
John J. Hughes, III  
Martin A. Sosland  
Robert S. Berezin  
William Natbony  
Nicholas A. Bassett  
John E. Mudd  
Geoffrey S. Stewart

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<sup>8</sup> “Act 26-2017 Committee” refers to the committee established pursuant to Chapter 4 of Act 26-2017 that is composed of the Executive Director of AAFAF, the Secretary of the Puerto Rico Department of Treasury, and the Executive Director of the Puerto Rico Office of Management and Budget. *See* Article 4.02, Act 26-2017.